

**Opening Statement of Senator Herb Kohl
Special Committee on Aging Hearing
Foreclosure Aftermath: Preying on Senior Homeowners
February 13, 2008**

Good morning, my thanks to all of you for attending today's hearing. This morning our committee will focus on a new type of financial fraud that has sprung forth from our country's mortgage crisis. As Americans strive for financial security in their later years, many are falling short. Perhaps their retirement dollars are not stretching as far as they'd hoped or medical expenses are overwhelming them; whatever the reason, more and more older Americans are falling behind on their mortgages and find themselves facing foreclosure. Across the nation, foreclosures have increased by 95 percent in the past year.

Because foreclosure filings are public information, scammers target the already troubled homeowners, contacting them by phone or mail repeatedly with claims that they can help the homeowner stay in their home. These financial predators say that they can help "save" the home of a person or family experiencing foreclosure. They create a sense of urgency and say that there are no other options. They tell the homeowner not to contact their lender or seek legal advice. In the end, these predators walk away with both the title and equity of the home.

Senior homeowners are particularly vulnerable to rescue scams because many of them are on fixed incomes and rely on the equity in their homes as their primary financial asset. They are also particularly attractive to financial predators because they tend to have a larger amount of equity in their homes. Older homeowners are also more likely to experience foreclosure in the first place because, according to a study conducted by AARP, seniors are three times more likely to have sub-prime mortgage loans than younger borrowers. The foreclosure rate for sub-prime loans is much higher than prime loans because they carry a much higher risk of default by the borrower.

The mortgage foreclosure crisis is real. Most communities across the country are experiencing both the primary and secondary effects. In my home state of Wisconsin, over 17,000 homeowners filed for foreclosure in 2007, an increase of 131 percent from the year before. Recently the mortgage giants joined the administration in announcing a plan to help seriously delinquent borrowers stay in their homes. While this is a step in the right direction, there are concerns that this help will not reach as many troubled homeowners as possible.

Today we will hear from a local man who was the victim of a foreclosure rescue scam. Thankfully, his case was recently settled, but this is a rarity. We will learn about why it is so difficult to litigate cases against these financial predators and hear about limitations of current state and federal laws. We will hear from the realtors and the mortgage bankers, who have seen the effects of the foreclosure crisis up close. Our witnesses will also highlight the steps that individuals must take to avoid foreclosure as well as to prevent being victimized if foreclosure is inevitable. Finally, we will hear

testimony from the Federal Trade Commission about their programs designed to assist homeowners in crisis.

We need to determine how federal and state governments can best protect seniors and other targeted populations from these ruthless financial predators. I am currently working on legislation that would help homeowners across the country avoid these foreclosure rescue scams, especially in states where no law exists to prohibit or regulate these practices.

Once again, I thank all of our witnesses for being here to take part in today's hearing. With that, I turn to our Ranking Member Gordon Smith for his opening statement.